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Honorable James Harvey  
House of Representatives  
Washington, D. C. 20515

Dear Congressman Harvey:

Secretary Rusk has asked me to reply to your letter of January 20, 1967, asking certain questions about the Export-Import Bank loan for machine tools to be used in a new automobile plant in the Soviet Union which will be constructed by the FIAT company of Italy.

The answers to your numbered questions are as follows:

1. Secretary Rusk approved of the proposed loan, which is to make available up to \$50 million to finance purchases of United States machine tools and other automobile manufacturing equipment for the FIAT plant.

2. On the basis of a review by the Department of Commerce of the list, made available by FIAT to your Subcommittee, of equipment which might be ordered for the plant in the USSR, it was concluded that there are only a few items on the list which, if ordered, may not be licensable under the Export Control Act. The precise status of this equipment cannot be determined until license applications with specifications are submitted to the Commerce Department. I would emphasize that equipment ordered from United States firms will be subject to a detailed review on a case-by-case basis. If the Department of Commerce should receive license applications for machinery or equipment that would make a contribution to the Soviet military potential detrimental to the security and welfare of the United States such applications would be denied, as required by the Export Control Act.

3. If

State Dept. review completed

2.

3. If the Export-Import Bank does not participate in this transaction, it is unlikely that the Istituto Mobiliare Italiano (IMI), the Italian Bank which requested Eximbank credit, could obtain comparable financing from other sources unless procurement were transferred to the country where financing is sought. Thus, if FIAT were to shift procurement of the equipment it now intends to purchase in the United States to some other country, the credit facilities of that country's government-backed export financing agency would doubtless be made available to IMI on terms equal to or possibly more favorable than those generally extended by the Export-Import Bank. The Italian Bank could probably obtain financing from private sources in Europe irrespective of where the equipment is procured, but the terms would reflect the present high cost of private credit abroad and would therefore be unattractive.

Thank you for the opportunity to comment on this important matter. If you have any further questions, I know you will feel free to call upon me.

Sincerely yours,

Douglas MacArthur II  
Assistant Secretary for  
Congressional Relations